



**SMES ENGAGING AT THE BOTTOM OF THE PYRAMID:
EXPLORING DRIVERS OF BUSINESS STRATEGIES**

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ABSTRACT

This research paper investigates how the market conditions at the base of the pyramid (BOP) influences South African small and medium sized enterprises (SMEs) to take certain business decisions in the townships and rural areas. It takes a qualitative approach to explore how SMEs with social objectives develops mitigating strategies to successfully engage with and in poor communities. The research suggests that prevailing BOP strategies are lacking certain aspects to successfully realize them on the ground. It advices firms to take a more practical hands-on approach to identify a sustainable business model by testing, experimenting, learning and adjusting, eventually being eligible for up-scaling.

Key words:

Bottom of the pyramid, market challenges, strategy, business model

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1 Introduction

This exploratory study aims to engage constructively in the ongoing examination of how the private sector can successfully participate in the bottom of the pyramid (BOP) market of South Africa. More specifically, the research aims to investigate how market conditions in the BOP impacts the way small and medium sized enterprises (SMEs) conduct business in the market. The research will investigate three Cape Town based SMEs with social objectives of providing services to the townships and rural areas of South Africa. In short, the purpose of this study is to examine how the operational difficulties in the BOP market leads to counteractive strategies to achieve progress.

The context of this research takes place within the concept of the bottom of the pyramid (BOP). First discussed in the article “*the fortune at the bottom of the pyramid*” the authors argues that; “*low- income markets present a prodigious opportunity for the world’s wealthiest companies. To seek their fortunes and bring prosperity to the aspiring poor*” (Prahalad & Hart, 2002:2). The article and later published book reasons that multinational corporations (MNCs) with their large resources can contribute to alleviate poverty through providing access to products, services and employment to the BOP. However, failure of MNCs engaging in the BOP has been evident over the years, the Harvard business review titled “*is the bottom of the pyramid really for you?*” argues that only a handful of MNCs have built sizable businesses catering to the BOP market. Most MNCs are unable to change their cost structures and prices enough to serve the poor segment (Karamchandani et al, 2011). The lack of economies of scale and geographical dispersion of the poor are factors further discouraging MNCs. Moreover, the article goes on to state that innovations effectively engaging with the poor typically

comes from firms outside the mainstream, and not from the expected big industry actors (Karamchandani et al, 2011).

Karnani (2006) argues that local SMEs are better structural adopted to succeed in the BOP market. In most African countries, SMEs contribute to less than 20% of GDP compared to more than 60% in developed countries (Tadesse, 2009). With huge growth opportunities, it is projected that South African SMEs will represent a fundamental role in the countries' future economic and social strategies (Wocke & Von Ketelhodt, 2008).

1.1 Main research question

The overarching question of this study forms part of the larger ongoing debate of how the private sector can successfully engage with the poor. The research aims to discover how the market difficulties at the BOP drives business decisions of local SMEs, consequently identifying elaborated strategies tackling the challenging conditions. In order to arrive at this information, the following main research question was developed;

“How are the market conditions at the bottom of the pyramid driving SMEs business strategies?”

In order to derive at the main research problem, the following sub-problem emerged;

“ What are the main challenges for local SMEs in the South African BOP market?”

“ How are strategies formulated to mitigate the associated difficulties?”

By hopefully answering the research question and investigate into the matter, I hope to contribute with on-the-ground examples of the South African BOP context. In providing insight on the subject, I hope to give practical advice and new light on how SMEs effectively can deal with the realities of the BOP market.

2 Literature Review

2.1 Introduction to bottom of the pyramid

The bottom of the pyramid is in economic terms the four billion individuals, whose incomes are below \$3000 in local purchasing power and who live in relative poverty (world resource institute, 2007). Some numbers from the South African context indicates this market to consist of 18.2 million people with daily incomes of less than R20 south African rand (\$1.82 in current US. dollars) (Eithy20, 2009). Other research estimates it to be around 30 million people on less than \$3000 in local purchasing power, amounting to a total purchasing power of \$40 million (DIBD, 2010). The economic realities of the base leads BOP strategies to challenge the traditional strategic paradigm used for western economies. Companies wanting to provide a product or service to the BOP has to prepare for low margins per unit combined with high volume and scale to achieve profitability (DIBD, 2010).

2.2 Market conditions in the BOP & Challenges facing SMEs

Based on the report “*realizing Africa’s wealth*” (UNDP, 2013), companies and organizations face four main constraint in the BOP market of Africa. When in place, these factors enable the creation of a supportive interdependent eco-system, needed to achieve scale. The four challenging, but potential enabling factors are;

(1) *Information:* The informal economy prevailing in the BOP means that market information and knowledge on low-income communities is absent, making it difficult to gather data to base business decisions on. The know-how required to operate in the market must therefore be attained through unconventional methods and requires a great deal of resources. (2) *Incentives:* Doing business in low-income markets is often costly, risky and uncertain, making managers avert engaging with the market. Improvement of the other enabling factors will likely shift this inclination. (3) *Investment & Finance:* There is a lack of financial backing for projects in the BOP. Financial structures are not adopted to local needs, and informal business is not compatible with established financing frameworks. Funding is therefore hard to attain, resulting in the difficulty of reaching the point of operational sustainability. (4) *Implementation support:* The lack of a dynamic economy at the BOP makes it hard to access supportive structures and intermediates such as logistics, transaction, training and communication. Implementation of strategies are often hard to accomplish on a ground level.

In addition to these characteristic challenges of the BOP market, SMEs in South Africa face additional challenges related to the macro environment. Cant & Wiid (2013) reports that South African SMEs represents a fundamental part in the development of the South African economy and forms a primary role in job creation. However, they face huge challenges related to crime, government legislation, labor, HIV/aids and inflation and interest rates. Crime rates, which are particularly high in poor communities, are inclined to directly effect SMEs through theft and inflict indirect losses from security costs. Funds that should be invested in the firm are diverted to costs of insurances, security and other costs to safeguard the firm. These factors have

contributed to an estimated 70-80 % failure rate of SMEs in South Africa (Cant & Wiid, 2013).

3 Research Methodology

3.1 Research Approach and Design

This research aims to explore “*how market conditions at the bottom of the pyramid drive SMEs business strategies*”. In doing so, I will use a qualitative research design with data gathering from in-depth interviews, characterized by semi-structured open-ended questions. This design aims to understand and interpret the phenomenon by investigating the participants’ narratives of their own experience and behavior (Gripsrud et al, 2004). The research approach allows for an emerging process where the boundaries of the study’s scope and assessment can unfold during the interview process (Leedy & Ormrod, 2005) and gives the participants the opportunity to share outside the limits associated with a more structured interview method (Gripsrud et al, 2004).

Due to the rather novel character of the research topic in literature, an inductive research approach is more appropriate. An inductive research approach aims to identify data patterns in order to develop new understanding of a topic, rather than testing previous findings (Hyde, 2000). “The inductive research approach will allow research findings to emerge from the frequent and dominant patterns derived from the raw data, without the restraints imposed by structured methodologies” (Thomas, 2006:238). The semi-structured, open-ended questions will allow for the “establishment of clear links between the research objectives and the summary findings derived from the raw data” (Thomas, 2006:237). The research questions were structured around the following topics; market conditions, strategy, business model and eco-system.

3.2 Sampling

Sampling is the collection of units from a population used to determine facts about the population (Gripsrud et al, 2004). The population in this case being all SMEs with social objectives of serving the BOP market of South Africa. In my approach to the sample, I identified a couple of firms conducting business in and with the BOP market of Cape Town as possible participants. The sampling type used in this research is a non-random convenience sampling due to the nature of the participants; geographical proximity, availability, accessibility and willingness to volunteer (Farrokhi & Hamidabad, 2012).

In an attempt to get a broad view on the topic, the sample of this study was developed to cover different players in the BOP market. The comparable variables of the sample group are; (1) All firms where started by social entrepreneurs wanting to create social impact in the townships and rural areas of South Africa. (2) All firms originated from within the South African BOP market. In other words, the firms are not outside players wanting to engage with the poor, but rather entrepreneurs that set up business with the primary aim of engaging with the BOP. (3) All firms provide a service.

The incomparable variables of the sample group are; (1) Level of relevant business experience of managers. (2) The first firm represented below provides a service to outside players wanting to engage with the poor, in addition to services for micro entrepreneurs and local actors. (3) The last two firms represented below also provide certain products, in addition to services.

Consequently, the final sample is representative of key players in the BOP market of South Africa;

- **Reciprocity** is a small consultancy aiming to optimize the contribution of the private sector to social and economic development in the BOP. The founders are two entrepreneurs from Mauritius, with previous experiences from social psychology and market research institutions. They work with MNCs such as Pepsico, SABMiller and Standard bank that want to engage in the BOP, in addition to local micro entrepreneurs by helping them improve their operations. Activities include conducting pilot projects, qualitative and quantitative research, in addition to offer direct engagement in low-income communities (Reciprocity, 2014).
- **Last mile for BOP** is a small sized distribution enterprise with a profit-for-purpose objective to distribute life-changing products and services to low-income communities. The founder is French, with professional experience from European non-government organizations (NGOs). “Last Mile for BOP aims to build a cost effective last mile distribution channel by partnering with all existing networks, distributing a large range of cost-saving and income-generating products and services such as solar lamps and mobile phone chargers, clean cook stoves, sanitary pads, fortified food, water filters, basic health services and training” (Lastmileforbop, 2014).
- **Silulo ulutho technologies** a medium sized enterprise aiming to empower locals through technology. Silulo ulutho technologies was founded by two brothers from a poor community in Eastern Cape, with previous experience from teaching at a local high school. Silulo ulutho technologies provide IT related products and services

including computer training, skills and knowledge, business services, website development, computer and accessory retail sales as well as repair and maintenance services (Silulo, 2014).

3.3 Data Analysis Methods

“The inductive research approach seeks to allow research findings to emerge from the frequent, dominant or significant themes intrinsic in the raw data” (Thomas, 2006:238).

In the interest of deriving to the frequent and dominant topics inherent in the data, I followed the sequence on data collection conveyed by Lacey & Luff (2001);

(1) Familiarization: I reviewed the raw data by examining the voice recorder and notes. (2) Transcript: I wrote a summary of the data in a document. (3) Organization: I organized the data into sections of topic. This was done by searching for patterns, associations, concepts and explanations in the data. This allowed for a structured approach for re-examining the data set. (4) Coding: I coded the respondents description of matters into sections. In other words, the way respondents conceptualize a certain topics was coded into sections. (5) Analysis: Through the framework analysis, I was able to derive at development of theory on the topic.

3.4 Research Limitations

Two main limitations was identified in this primary research collection. Firstly, the number of the sample conducted is limited and might not be representative for the population. The data collected is the opinions of the participants and therefore might not be descriptive as generalizations of the population. Secondly, the sampling method of a non-random convenience sampling carries bias due to the non-random sampling

approach. Location bias and willingness bias further limits the represent ability of the sample on the population.

4 Research findings and discussion

Table 1 summarizes the key codes that emerged during the interview process. It shows the theme codes and the emerging codes within each theme. In the following section, I will present the main conclusions and recommendations that materialized from the research, only then to investigate the codes in light of respondents understanding of the matter. The research findings will be compared with theoretical formulations, to uncover divergent and convergent aspects, consequently allowing for the emerging of new concepts and ideas.

Table 1: Theme codes & Emerging codes

MARKET CONDITONS	STRATEGY
Infrastructure	Innovation
Implementation support	Fine-tuning

4.1 Main conclusion & Recommendations

The research indicated that the difficult market conditions of the BOP market in South Africa enforces two main drives on SMEs. (1) It forces SMEs to test assumptions and to re-adjust the business model before up-scaling. This is done by establishing a proof of concept on a micro-level by way of pilot projects. The re-finining of the model occurs in-time as new knowledge emerges. Once the identification of the appropriate model is recognized, mitigating strategies can be outlined on the basis of the bottleneck

identified. Thus, a practical hands-on approach is necessary for successful progress. As such, the first recommendation is;

- Conduct pilot projects on a micro-level to identify a sustainable model. By means of testing assumptions, experimenting, learning and re-adjusting the model, establishing a viable model for up-scaling can be accomplished.

(2) The research showed how technology was central in facilitating systems supporting key operations. Mobile applications emerged as the particularly appropriate as these can incorporate and connect the informal economy with the firm, are cheap, easy to comprehend and quick to implement. The huge technological initiative from the South African government towards mobile, as well as public Wi-Fi becoming widespread in the townships, further makes it an attractive technology to utilize. By means of mobile phone and applications, SMEs can create distribution systems, operational systems or access information supporting the capturing of value in the market. Hence, the recommendation follows;

- Utilize mobile applications as a supportive function to enable systemized processes and the capturing of value in the market.

4.2 Marked challenges

This topic reflects respondent's orientation toward the market conditions present in the BOP market. The following section will present respondents reflection on the lack of infrastructure and implementation support, together with a comparison to literature on the topics. In presenting the main challenges expressed by the respondents, I hope to

show a storyline of the strategies the firms executed in tackling their difficulties. This section is from a theoretical point of view, connected with the difficulties associated with operating in the BOP market due to market voids.

4.2.1 Market infrastructure

The challenges associated with the lack of market infrastructure are reported repeatedly in literature. The inadequate infrastructure mentioned in literature deals with a range of difficulties, from how firms should adapt product and packaging to storing and distribution (Prahalad, 2006). During the interview process, respondents reported two main challenges as particularly conspicuous of the South African BOP market. Though similar to the challenges reported in literature, these goes into a substantial depth on the exact nature of the challenge of getting products accessible and available to the BOP client in South Africa. The reported findings gives us a deeper insight into the challenges of potential distribution channels in the South African BOP context. Likewise, the relevance of this information extends to all firms wanting to sell products through micro entrepreneurs and informal businesses.

First reported by the respondents was the lack of efficient distribution channels. Founders of the companies Reciprocity and Last mile for BOP expressed having investigated several distribution channels in the BOP market of South Africa, in the quest of identifying efficient channels. Table 2 summarizes the challenges of relevant distribution channels, identified by the founder of the distribution firm Last mile for BOP in the effort to conduct pilot projects to test the distribution efficiency of social products.

Table 2: Distribution channels

Channel	Potential impact	Result from pilot
Independent distributors (community members)	<ol style="list-style-type: none"> 1. Respected figures in the townships and rural areas 2. Has huge influence on the community 	<ol style="list-style-type: none"> 1. Did not reach the required product turnover rate 2. Products are not sold frequently nor at a high enough volume to reach sustainability
Stokvels (Saving groups)	<ol style="list-style-type: none"> 1. Saving groups removes the need to facilitate for credit solutions to customers 2. Widespread practice in South Africa 	<ol style="list-style-type: none"> 1. The product penetration rate was too low due to the usually monthly rotation of credit (one member is granted a product once a month)
Spaza shops (Informal convenience shops)	<ol style="list-style-type: none"> 1. Constitutes around 100.000 shops¹ in South Africa 2. Extensive reach and potential for huge volume 	<ol style="list-style-type: none"> 1. As one-man shows they typically have to close down their shops for many hours a week and pay transportation to visit wholesalers in order to re-stock 2. Limited stock management processes and lack of basic business knowledge 3. Lack of collaboration between shop owners to co-create supply chains

The second reported challenge of the market infrastructure was the high cost of delivering products from the main cities to the townships and rural areas. SMEs who lack the capacity to ship in large volumes see their cost increase drastically as a consequence. Founder of the consultancy Reciprocity expressed that these two challenges are huge factors effecting the accessibility of products for the BOP clients.

¹ <http://www.southafrica.info/business/trends/newbusiness/cardpayments-040913.htm#.VKQOuSusUpw>

4.2.2 Implementation

It was inherit from the interviews that lack of implementation support dealt with several variables, ranging from the financial aspect to training. Founder of the consultancy

Reciprocity summarized the implementation challenges to be the following;

“Companies selling products through micro-enterprises in low-income communities are facing four main implementation challenges; logistics, transactions, training and the marketing mix.” He emphasized the difficulties of implementing BOP ventures in practice, due to the “*clash of civilizations*” where systems, structures and realities differs immensely. These challenges are identical to the ones reported in literature and evidently conspicuous to the respondents as well.

However, one point emerged as new. Literature emphasizes co-creating platforms by collaborating across activities. NGOs, SMEs, MNCs and public sector all have to contribute differently to the mission of accessing and serving the poor (Prahalad, 2006).

Despite this undeniable conviction, practical appliance is much more problematic.

Respondents voiced that there is a lack of willingness to collaborate between these key players. Founder of the consultancy Reciprocity explained how even organizations doing related activities in the same townships and rural areas ignore collaborating. The implicated reason behind this being human ego, pride and incentives. Founder of the distribution firm Last mile for BOP pointed out that the failure to make products accessible to clients in the BOP after years of interest in this market, has to do with each organization attempting to build its own independent distribution network, ignoring co-creative approaches. Though products might be available in the market, they are not accessible to the BOP client due to high prices, demonstrating the inability of organizations to lower their cost structures.

This new aspect challenges the foundation of the theoretical approach to the co-created eco-system, where collaboration is the key ingredient. On that note, respondents emphasized that incentives must be clearer defined and structured in order to appeal to collaborative approaches. Without the immediate perceiving of a benefit to collaborate, most organizations will attempt being a sole hero.

4.3 Strategy

This section will uncover respondent's expression of strategies developed to tackle the shortcoming of the markets. The section deals with specific problem-solving solutions the respondents expressed during the interview, termed fine-tuning and innovations. Literature will be used as a benchmark to uncover potential new concepts and approaches to the market. From a theoretical point of view, this section deals with BOP strategies to counteract the challenging market conditions.

4.3.1 Fine- tuning- identifying a viable model

Large scale is highly emphasized in theoretical formulations of BOP strategies, often being stressed as the key element for success. As the acclaimed arguments notes "*scale of operations is a prerequisite for making an economic case for the BOP*" (Prahalad, 2006:32). The intricate relation of low margins and high volume to reach profitability stresses the need to achieve large scale (Karamchandani et al, 2011). Business models catering to the BOP therefore need to be computed for scalability in order to reach sustainability. Yet, very little is known about the intricate way of reaching scale. Academic authors on the topic reports that "*remarkably little is understood about how*

to design scalable projects, the impediments of reaching scale, and the most appropriate pathway of getting there” (Chandy et al, 2013:3).

The respondents reported a new and interesting view on the argument. Founder of the consultancy Reciprocity expressed the following; *“One of the big mistakes companies make is that they want to upscale without a proof of concept. Instead of having a low key investment being tested out at a micro level and constantly being re-worked and adjusted in order to hit the sweet spot.”* In his view on the matter and with several years of experience working with MNCs and SMEs in the BOP market, he contributed the failure of companies directly to the overemphasis on scale, as it locks managers into over-focusing on solutions rather than the problems that needs to be addressed. As such, this eventually leads to misinterpreting how to create a sustainable business model, he noted; *“The emphasize on scale and volume from day one make people blind of the realities that need to be addressed”*. Rather than approaching the market with a “pre-set” model for scale and volume, companies should work out from a successful micro-level pilot. The business decision of initiating with a low-key investment helps reduce risk and gain experience on the market while understanding how to deliver the value proposition before up-scaling.

As the respondents suggests, a hands-on approach on the ground with the focus on identifying a proof of concept should be the basis of a scalable model. In serving as an example as to how this was done in practice, founder of the distribution firm Last mile for BOP explained how he initiated a pilot project to identify a sustainable model for the distribution on social products. In order to reduce the cost of running pilots, its risks and to allow for more flexibility he teamed up with two local partners, a saving group and a

distributor. They allocated a timeframe and a budget in the aim of identifying what distribution channel to use and how to successfully operate it. To assure that replication of the pilot could be up-scaled, they selected two transferable townships, one in Eastern Cape and one in Western Cape. Thereafter, four potential distribution channels were identified; independent distributors (community members), spaza shops (informal convenience shops), formal shops and stokvels (saving groups). Under the course of the pilot, they identified three general obstacles of distributing through the BOP, in addition to grasping the inefficiency of the most appropriate distribution channel, the spaza shops.

In further testing of spaza shops, the founder of last mile for BOP identified a range of variables that had to be fulfilled by the spaza shop. Amongst the variables was the need for the spaza shop owners to receive business training from a local non-profit organization, who focus on improving operations of micro-entrepreneurs. The fine-tuning of the model began by developing a light supply chain system, by integrating several spaza shops into a mobile application that facilitated for automatic re-stock and delivery of products. The progress since was characterized by adjusting the “bugs” in the model, such as integrating a mobile payment system into the existing supply chain application. The respondent emphasized that creating a model that was easily replicable was a corner stone to later stages where he up-scaled the model to include several townships. The essential traits of the model was that informal shop owners could immediately see its benefits and easily comprehend the system. The training, mobile phone and application was affordable as part of the price was subsidized and the remaining cost was reimbursed by the saving achieved by the spaza shop owners. Table 3 summarizes the main aspects in his approach in develop a viable model.

Table 3: Last mile for BOP model

Identified problem	Solution	Description
High cost of delivery	“Ship for less” website	The website works much like the pages that compare airfare tickets, where they buy shipping service in bulk from DHL, Fed EX and others, thereby selling the shipment in smaller parcels to SMEs
Inefficiency at spaza shops	Light supply chain system & business training to owners	<p>A mobile application working as a supply chain management system. Allows spaza shops to automatically re-order, manage inventory and calculates revenues based on supply and demand.</p> <p>Each township zone has a designated deliveryman who delivers goods to all spaza shops within the area, this way the owners don’t need to close down their shops to re-stock. Linked up the same mobile application, the deliveryman received orders from all spaza shops in his designated area and buys in bulk on behalf of all the owners, which reduces the unit costs.</p> <p>The system allows for a coordinated flow of products, reduces costs and generates savings for each spaza shop owner</p>

Likewise, the importance of fine-tuning was expressed by the founder of Silulo utholu technology who started out by renting a small space in the township of Khayelitsha, being granted a couple of refurbished computers from NGOs and the municipality. The service offering was to provide internet access to clients, an internet café. With little attraction and customers unable to utilize computers, he promptly realized the need to educate people on computers by offering computer training at a small price. The service quickly gained momentum and were attracting more clients than it could handle. As more and more clients came in asking for additional services, printing, faxing, CV design and business cards was added to the offering. Founder of Silulo reckons that

identifying of a viable model came from being attentive to clients need. Building on and stripping away popular and unpopular services led way to a highly successful business at micro-level in Khayelitsha. With a blueprint for success, the opening of new facilities continued throughout the country.

Identifying the right business model catering to the BOP market is a delicate matter and requires understanding from doing. Managers should not base scalability on theoretical paradigms, but rather on a practical approach that harvest learning and experience.

Concluding on the notes by the respondents, the follow sequence should be the foundation for an eventual up-scaling; Test assumptions and experiment – learn and re-adjust – identify the blueprint.

4.3.2 Innovations- Using mobile applications to enable processes

Literature on BOP strategies often reports that innovative approaches to the BOP market is essential. Prahalad (2006) presents 12 principals of innovation for the BOP market, where in the sixth principle of process innovations he argues: *“In the BOP market, the presence of logistics infrastructure cannot be assumed. Often, innovation must focus on building a logistics infrastructure...”* (Prahalad, 2006: 50). This ambiguous presentation of how to be innovative in the approach is repeatedly seen in literature. Case studies are often the best provider of information on how to be innovative in practice while keeping costs down.

Interestingly, the three companies interviewed all gave huge importance to mobile applications on either smartphones or feature phones to enable processes and

operations. Founder of the consultancy Reciprocity reported using a mobile application to acquire market information requested from private sector clients. Requests for specific raw data are sent out by mobile application to a large network of local partners in the townships, who again dispatch surveys out to the sample group or gather the information themselves. This automatic system allows the consultancy to receive a huge amount of data quickly and to reach remote areas cost efficiently.

Founder of the distribution firm Last mile for BOP reported using a similar approach to access information. With the aim of identifying all possible distribution points in all big townships of South Africa, he set out to create a distribution map. The map needed extensive information on the social and economic situation of different townships. The first layer of the map consists of (1) all social issues geographically categorized, such as no access to electricity, sanitary issues and preventable diseases. The three top layers consists of; (2) location of all the logistical companies such as Coka cola, SAB, gas stations and supermarkets, (3) local manufacturers, (4) NGOs and informal businesses. Most data needed to create the map was available through national statistics, however to gain information on informal businesses he used an unconventional method. As the South African government is providing free public Wi-Fi in all townships of Cape Town and other provinces, he saw it as a chance to use a mobile application that allows to request information anywhere around the world. The application asked people in the townships to drop a pin in google maps to locate informal businesses and in return, they received mobile credit.

Interestingly, smartphone penetration in townships of South Africa is 27%², while the penetration of feature phones is much higher. The big initiative from the South African government to connect townships to an array of services through mobile and Wi-Fi³ makes it a highly attractive platform to utilize. Mobile applications are not only used to access and allow for information flow, likewise, it can create operational systems. Last mile for BOP uses a supply chain management application that enables spaza shops to be integrated into a system of distribution. The benefit of which creates a systematic delivery of products- spaza shops owners no longer have to close down their shop to re-stock, reduces costs- re-stocking occurs on behalf of all spaza shops within same geographical area, allowing for huge bulk purchases and generates savings for spaza shop owners.

For SMEs, whose resources are restrained, the utilization of this technology is of great value. Mobile applications can be custom made at a low cost, are quick to implement while at the same time are comprehensible for the BOP.

5 Conclusion

This study gave insight into the South African BOP context, its challenges and potential enabling strategies. Through the research and in the aim of identifying new concepts and understanding, I consequently identified the following as significant to this study;

² <http://www.bloomberg.com/news/2014-07-29/warding-off-lions-with-cell-phones-shows-african-technology-boom.html>

³ <http://recode.net/2014/07/29/going-where-the-money-isnt-wi-fi-for-south-african-townships/>

- Theoretical formulations of BOP strategies highly emphasizes computing business models for volume and scale. The research suggested that there is an overwhelming emphasis on the matter, making managers neglect the realities on the ground. The research indicated that the first step in approaching the BOP market is to identify a viable business model by establishing a “proof of concept” on a micro-level. Managers should prioritize testing assumptions, re-adjusting and identifying a feasible model through pilot projects, that once identified can serve as a blue-print for up-scaling.

- Through literature, innovative approaches to the BOP market are stated as highly important. The research gave deeper insight on the aspect by highlighting the importance of mobile applications in the establishment of processes and operational structures. The South African BOP market is increasingly becoming connected through mobile, shaping the establishment of mobile applications to effectively engage with the poor.

- Co-created eco-systems are noted as crucial for successful implementation of BOP strategies in literature. Yet, this research indicated that collaboration across key players of the market is often absent and difficult to accomplish on the ground. The research suggest that incentives that appeal to collaborative approaches in establishing shared platforms across organizations are yet to be introduced.

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